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Top Secret

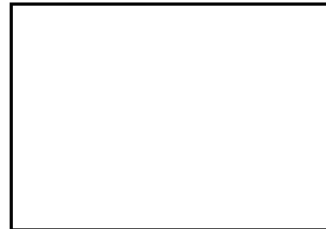
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NATIONAL INTELLIGENCE DAILY CABLE

Friday 23 September 1977

CG NIDC 77/222C



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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

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National Intelligence Daily Cable for Friday, 23 September 1977.

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The NID Cable is for the purpose of informing senior US officials.

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LEBANON-ISRAEL: Situation Report

[redacted] Fighting reportedly decreased yesterday in southern Lebanon, but, according to press accounts, Israeli forces have dug in at several places inside Lebanese territory and are building fortifications. The Palestinians say Israeli forces have also occupied some high ground above the village of Ibil as Saqy, further isolating the Palestinian stronghold of Al Khiyam just to the south.

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[] Al Khiyam was probably chosen as the target of the latest offensive because it dominates the Christian holdings south of Marj Uyun and has enabled the Palestinians to harass neighboring Christian positions. The Christian thrust has already separated the Palestinian position at Ibil as Saqy from that at Al Khiyam, leaving the Christians in control of the high ground at Tal Sharifa and breaking the isolation of Marj Uyun. If Al Khiyam falls to the Christians, Palestinian access to the Arqub from the border area will be impeded. []

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SAUDI ARABIA: Oil Production Policy

25X1 [redacted] //Saudi Arabia appears to be reassessing its position on crude oil production rates and future increases in output. During the past three months, the Saudis have indicated that they are inclined to take a decidedly more stringent line on production policy. This results from their inability earlier this year to keep OPEC oil prices down by increasing their own production.

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25X1 [redacted]

25X1 [redacted] //Saudi Oil Minister Yamani, whose statements over the past year probably reflect the thinking of King Khalid and Crown Prince Fahd, has made several statements probably intended as a caution to oil-importing countries. The basic thrust is that Saudi Arabia:

- Is determined to exercise more complete control over its oil production levels.
- Will not approve sharp and limitless increases in oil production to satisfy future demand.
- Expects importing-country governments to take adequate conservation measures to reduce the pressure on Saudi production.
- May exact a political as well as an economic price for the additional volumes of oil expected by major importers.//

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[] Yamani laid down two conditions for future increases in Saudi production. First, peace must be achieved in the Middle East; Yamani stated that Israel must return to its 1967 boundaries. Second, technology must be transferred to Saudi Arabia so that the Saudis can earn revenue after their oil is depleted.

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[] Yamani's latest statements reinforce a message from an earlier interview that the Saudis do not envision huge increases in future oil production. In July, he said Saudi Arabia "does not find itself under any obligation to reach such high production levels" as the April 1977 CIA assessment of the international energy situation suggested would be needed to meet world demand.

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[] It is clear from Yamani's remarks that the Saudis intend to take a more active role in determining their production policies. In July, he said, "We . . . refuse to submit to outside decisions regarding our production levels It's a 'card' that the Kingdom must hold in its own hands and decide upon in light of its own interest."

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[] According to Yamani, the Saudis view their alternative production strategies as a political "tool." He distinguishes this from a political "weapon," recalling that Riyadh has used petroleum as a political "tool" in the past, including its embargo and production cutback in 1973 "to remind the West that it needed the Arabs."

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THAILAND: Terrorists Bombings

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[] *The explosion of two bombs in southern Thailand yesterday near ceremonies being conducted by King Phumiphon most likely was the work of Muslim separatists, who advocate the secession of the far southern provinces.*

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[] The bombs' distance from the King--one at about 50 meters and one about 100 meters--suggests that their purpose was publicity rather than an attempted assassination. Although 44 persons were injured, there were no fatalities.

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[] Thailand's three southern provinces--Yala, Pattani, and Narathiwat--are overwhelmingly Malay-Muslim, as distinct

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from the Muslim minorities farther north, which are culturally and linguistically Thai.

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Factions of the Communist Party of Malaya as well as several Muslim separatist groups operate in the Malay-Muslim areas.

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A rash of terrorist incidents have erupted in the past few months, highlighting the separatist problem. Despite the attention such incidents have brought them, the separatists have not developed a strong or cohesive movement. Competition among rival groups--some little more than coteries of bandits--have dissipated their impact.

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The government has begun to tackle some of the problems resulting from the long neglect of the south, further weakening the separatists' impact. New schools have been built there, including three universities; Muslim cooking and prayer facilities are now available in schools and hospitals; and the quality of the governors sent to the south has improved markedly.

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Since 1974, the King has made an annual tour of the south. He takes seriously his role as the primary symbol of national unity and has long paid special attention to minority groups. His visits to the south have reportedly been well received by the Malay-Muslims as well as the ethnic Thai.

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It is possible that some extremist Muslim separatists see the King's efforts as advancing the subtle integration into Thai society that is anathema to them and a threat to their separatist goal. The bombings could have been as much a protest against the King as yet another attempt to focus international attention on the separatist cause.

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GUINEA: Toure Reaction to Unrest


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 Guinean President Sekou Toure, after some delay, has reacted with his customary harshness to the protest demonstrations that erupted late last month over his economic policies.

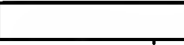
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 In several speeches since late last week, Toure portrayed the demonstrations as part of a "treasonous, counter-revolutionary plot" connected with a coup conspiracy he says was uncovered last summer. He asserted that the protests were organized by corrupt party cadres and blackmarketeers as well as the market women who led the demonstrations. He announced that the plotters had confessed and would be publicly exposed. He omitted his usual accusations against Guinean exiles and made no charges against the US.

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 By blaming a plot for what was generally viewed as a spontaneous reaction against the regime's economic policies, Toure has attempted to shift the blame from the government. His response may be aimed at critics of his economic policies and at more pragmatic members of his government who have advised him to ease popular unrest by relaxing some internal economic restrictions. Toure has apparently also rejected advice against responding with a harsh crackdown.

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 The President has apparently made at least one temporary concession to the market women, however, by withdrawing the

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[redacted]

hated economic police from the market and announcing that artisans and peasants may sell directly to the public. Toure does not appear to have wavered substantially, however, from his strong ideological commitment to government direction of the economy.

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[redacted] Toure has used the period since the August protests to break up the solidarity of the market women, stiffen the wavering ranks of the party cadre, neutralize and isolate dissidents, and elicit "confessions." He has also called for a "referendum" within Guinea's mass organizations--trade unions and women's and youth groups--to generate support for his basic policies.

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[redacted] The President now appears to be in full control, although public dissatisfaction with his economic policies, which are blamed for food shortages and high prices, will remain just below the surface, and open protests may recur. [redacted]

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PAKISTAN: Political Situation

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[redacted] *There has been only minor violence in Pakistan since the arrest of former Prime Minister Bhutto last Saturday and the official opening of the election campaign the following day. There is still no guarantee that the election will be held on 18 October as scheduled, however, or that the military will then return power to the politicians.*

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[redacted] Senior military officers, including Chief Martial Law Administrator Zia-ul-Haq, clearly oppose the return of Bhutto to power and might have second thoughts about returning to the barracks unless his party wins only a small number of the National Assembly seats. Bhutto's party seems to be running behind the Pakistan National Alliance, but it did draw an unexpectedly large and enthusiastic crowd at the rally opening its campaign on Monday.

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[redacted] Zia's determination to keep Bhutto out of the race could lead to a potentially serious confrontation with the highly respected judiciary. Apparently fearing that the supreme court would rule in Bhutto's favor on an appeal of his arrest by the military, Zia has retired the chief justice and ordered the other justices to take new oaths of office through which

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they implicitly recognize the legality of military rule. A ruling in Bhutto's favor could bring the legal basis of the military government into question.

[REDACTED] Zia is presumably still prepared to hand over the government to the nine-party Alliance if it wins the election. He has, however, publicly expressed his reservations about its ability to rule the country. [REDACTED]

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ITALY: Leftwing Protest Meeting

[] About 20,000 leftwing Italian extremists are expected to converge on Bologna today for a three-day meeting to protest government "repression." The meeting is a direct challenge to the Italian Communist Party from a portion of the left that has been sympathetic to it in the past.

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[] The demonstrators doubtless chose Bologna because the city has been governed by the Communists since the end of World War II. The city administration has reluctantly granted permission to hold the meeting and is trying to avoid a confrontation with the demonstrators.

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[] Local Communist leaders do not want to give the protesters additional support for their charge that the growing accommodation between the Communists and Christian Democrats is leading to political repression in Italy. Communist chief Berlinguer, however, has severely criticized the organizers of the meeting, comparing them to the neo-fascists.

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[] The security forces will be present in strength; they could be seen as a challenge by the leftists, many of whom will probably come armed. The gathering could easily result in violence such as occurred between the police and protesters in Bologna and other major cities last spring. []

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FRANCE: Senatorial Election

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[] French district electoral colleges will meet on Sunday to elect 118 members--roughly a third--of the Senate, the upper house of parliament. Twelve of these seats are new, created to compensate for population increases; the Senate will now have 295 members. The senatorial election has drawn little public attention, but the government may try to exploit the results as a sign of lessened leftward momentum before the much more important Assembly election in March.

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[] Gross over-representation of rural areas and small towns has produced a Senate dominated by centrist and apolitical members, with Communists, Socialists, and Gaullists significantly under-represented. The left is likely to gain only 15 to 20 seats on Sunday.

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[] If the Left Alliance wins the March election for the Assembly, the conservative Senate will have a role in trying to modify a leftist government's program. Ultimate legislative authority is constitutionally vested in the Assembly, however. The Senate's importance will lie in its ability to thwart any constitutional changes the left may propose.

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[] The expected election of some members of the present cabinet to the Senate is likely to stimulate a minor cabinet shuffle next month. The press has hinted, however, that the majority's maneuvering for the crucial legislative races in March will provoke broader changes. []

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BRIEFS

France

The leaders of the French Left Alliance last night again suspended their negotiations for updating the Common Program for Governing to be used as their platform in campaigning for the March 1978 legislative election. No date was set for resumption of the talks.

A summit meeting held on 14 September to resolve disagreements over the text broke up abruptly when the Left Radicals walked out over the Communists' nationalization demands. Nationalization remained the sticking point at meetings held over the past two days.

A Communist spokesman told reporters last night that Socialist counter-proposals did not constitute the basis for a serious negotiation, or even less, an agreement. A Socialist spokesman said, "The situation is deadlocked," and when asked if the Left Alliance had split, added cryptically, "I never use that word."

USSR

On Tuesday, the Soviet news agency TASS released an *Izvestiya* commentary deriding US efforts to act as mediator in the Middle East.

Noting President Carter's reaffirmation of the US commitment to Israel during Israeli Foreign Minister Dayan's visit to Washington earlier this week, *Izvestiya* questioned US objectivity and impartiality. The commentary portrayed US refusal to support the Palestine Liberation Organization or to allow it to participate in the Geneva talks as evidence of the US inability to be "an honest broker" in the Middle East.

UK - SAUDI ARABIA

//Saudi Arabia has signed an \$870-million contract with the UK for the development of the Saudi Air Force. The accord is the largest single military agreement ever signed by the UK and is the most important contract Saudi Arabia has with a non-US supplier.//

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[REDACTED] //The four-year contract provides for air crew and engineering training, in addition to armaments servicing and maintenance. It is a follow-on to a 1973 contract with the UK for maintenance, training, and support for the Air Force.//

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[REDACTED] //After Iran, Saudi Arabia is the second largest arms buyer in the Third World, having purchased about \$12 billion worth of equipment and related services over the past five and a half years. Saudi Arabia is building its military infrastructure from scratch and has allocated an extremely high percentage of its military expenditures to base construction, maintenance facilities, and warehouses. It has, however, purchased sophisticated aircraft from the US and advanced missile systems from both the US and France. [REDACTED]

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Argentina-USSR

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[REDACTED] The Argentine Navy yesterday seized four Soviet fishing boats operating within Argentina's 200-mile zone. Other boats from a Soviet fishing fleet reportedly fled outside the 200-mile limit when three Argentine destroyers came on the scene. [REDACTED]

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[REDACTED]

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